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IN THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

-USSR

by L. M. Gudoshnikov

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FOREWORD

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REORGANIZATION OF THE ADMINISTRATION OF THE NATIONAL ECONOMY
IN THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Following is the translation of an article by
L.M. Gudoshnikov in Sovetskoye Gosudarstvo
i Pravo, No 3, Moscow, 2 February 1961, pages
73-77.

The Democratic People's Republic of Korea has been proceeding along a path of democratic and socialist development for a period of over 15 years. In the past Korea was a backward, colonial and a semifeudal agrarian country. Its economy, which began to develop and to strengthen as a result of democratic and socialist transformations during the first years after the liberation of the country, was extensively damaged during the Patriotic War of Liberation against American imperialism.

During the postwar period the Korean people, guided by the Korean Labor Party, surmounted numerous difficulties and trials and attained tremendous success in the socialist revolution and in the building of socialism. In 1958 the socialist transformation of production relationships was completed and the exploitation of man by man was finally eliminated. During the same year the "most difficult question in the building of socialism -- a voluntary transfer of the peasantry from a path of a petty, private property economy to a path of large cooperative, socialist economy." [See Note 1] The First Five Year Plan from 1957 to 1961 was fulfilled by the end of 1959 by 115%, in the overall volume of industrial production. [See Note 2]

[Note 1] "Announcement of the Conference of the Representatives of Communist and Workers' Parties", Pravda, 6 December 1960.

[Note 2] This report utilizes materials furnished by the Institute of Economics and Law of the Academy of Sciences KNDP (Koreyskaya Narodno-Demokraticeskaya Respublika -- Democratic People's Republic of Korea) and by the practicing organs of the Republic gathered during the assignment of the author to the Democratic People's Republic of Korea in May and June of 1960.

The Democratic People's Republic of Korea became transformed into a socialist industrial-agrarian state with an independent economic basis, as a result of this heroic labor victory attained by the Korean people. A great role in the multilateral progress of the people's Korea is performed by its fraternal cooperation with other socialist countries. The aid extended to the KNDP by the Soviet Union, the Chinese People's Republic and other socialist

countries was most conducive to the restoration of the country's economy over a short period of time and to its rapid progress towards socialism.

At the present time the colonial, one-sided nature of the Korean industry has receded into the past for good, its material-technical basis became consolidated. The Democratic People's Republic of Korea started the building of such modern industrial structures as electric power plants, blast furnaces, banks of coking furnaces and so on; it now manufactures automobiles, tractors, excavators and other large machine equipment.

Considerable successes were also attained in the development of agriculture. After completion of socialist cooperativization of agriculture in 1958, the problem of the irrigation of arable land and the electric supply of the village was resolved; at the present time forces are being concentrated on the mechanization of agriculture.

After the June (1958) Plenum of the Central Committee of the Korean Labor Party, which discussed the problem regarding a sharp rise in the food industry and in the production of consumer goods, the local industry began to develop at a tumultuous tempo. The party established a task of creating new local industrial enterprises in every city and in every rural area (before the Plenum local industries were primarily provincial). The party's call was welcomed with enthusiasm by the masses of the people -- over a period of less than a year after the Plenum more than 1000 local industrial enterprises were constructed and over 85% of these were beginning to produce before they were completed. The rural and city people's committees received corresponding rights for guiding the industrial enterprises subordinate to them. In October of 1958, local organs were delegated with the power to direct the industrial producers' cooperatives as well. During the same period an expansion in the sphere of control of local organs in other branches of the national economy was accomplished. The local organs were assigned with : Trade in the peripheral districts (formerly, this was directly under the Ministry of Trade), the cooperative trade which is conducted by the Central Union of Consumer Cooperatives, the state purchasing, city building and the communal economy, agricultural building, majority of state farms, agriculture machinery stations, the building of roads and other projects of a local nature. A considerable portion of the pure income of enterprises of the local industry (the turnover tax, the profit tax, the income tax from the cooperative industry) was appropriated into the local budget in order to strengthen the material basis of the local people's committees.

A year after the Plenum took place the country had 2,038 industrial enterprises under local jurisdiction, including cooperative enterprises. The variety of products manufactured by local industry increased to 3,260 items by the end of August 1959 as compared with 1,780 items at the end of June 1958. [See Note] In 1959 the share of gross production of consumer goods by the local industry amounted

to 39%. In August of 1959 the provincial peoples committee received the right to construct machine building enterprises of average size with their own efforts, as well as to construct metallurgical plants with an annual capacity of 10 to 20 thousand tons, in addition to cement factories with a capacity of 30 to 50 thousand tons per year. All this points to the fact that local industry became a significant factor in the country's economy. The local peoples committees in the provinces, cities and rural areas encountered difficulties in simultaneously directing industry, agriculture, the cultural development as well as the development of public health. These conditions demanded reorganization of the management of national economy.

[Note] See "The All-Korea Conference of Activists in Local Industries and Producers Cooperatives. A Collection of Documents", Publishing House of Foreign Language Literature Pyongyang, KNDR, 1959, page 21.

The growth of local industry, however, was not the only reason for the reorganization in the management of the national economy. A system that existed in the center of industrial ministries under the new conditions of an unprecedented growth of modern industry could not assure an effective management of the enterprises and a cooperativization of their activities. As a result of the subordination of enterprises producing identical items under various ministries, irrational transportation schedules were in effect, a number of demands and norms of cooperativization were violated in connection with an aspiration to fulfill the plan not only in a financial but in a quantitative respect. Other irrational aspects were present that were associated with the existence of a system of ministries that directed the industry.

The reorganization of the system of management in the national economy of the KNDR, which began after the December (1959) Plenum of the Central Committee of the Korean Labor Party, consisted of a transfer of the management of local industry from the local people's committees and its unification in the hands of economic committees of the provinces and cities under central jurisdiction (Pyongyang and Kaesong). These committees were delegated with the function of controlling the enterprises under central jurisdiction. At the center, the industrial ministries were liquidated and committees of heavy industry and light industry, which controlled all branches of the industry, were created.

Economic committees of the provinces and cities under central jurisdiction, are local organs of the Cabinet of Ministers of the KNDR, but they are not isolated from the local organs of power, as the annual economic plans of local industry are sanctioned by the people's assemblies of the provinces and cities under central jurisdiction. In addition to that, the Cabinet of Ministers of the KNDR in its decree "on the creation of economic committees" of 26 April 1960 obligated the economic committees to

fulfill "important work promulgated within the limits of the area, in close association with local organs of power". On the other hand the economic committees, in realizing control over heavy industry and all enterprises under central jurisdiction, are to assure, as indicated by the decree, the exact realization of the party policy in this area; they undertake measures in implementing advanced methods of work as well as measures for the timely revelation and correction of deficiencies".

The economic committees being organs under the Cabinet of Ministers KNDR, are at the same time under the administrative and technical direction of the committee of heavy industry, the committee of light industry, the state committee for construction, as well as the Ministry of Foreign Trade, inasmuch as the economic committees were placed in charge of the foreign trade departments of provincial people's committees which are basically engaged in mobilizing export resources.

With the creation of economic committees locally and the corresponding committees at the center, a collective principle became ingrained in the management of industry.

The liquidation of ministries and an establishment of committees of heavy industry and light industry brought the central management closer to the enterprises and permitted the maximum liquidation of unnecessary managerial links, thereby assuring coordination in the solution of economic problems. Of great significance is the creation of a unified and main administration of material which was delegated with executive functions by the Department of Material Supplies with the State Planning Commission.

As a result of the liquidation of ministries, the operational departments were curtailed, departments which were engaged in identical work or which were closely associated were liquidated or unified. The reorganization of management of national economy brought about a shift in the cadres and a decrease in the dimensions of the apparatus. After the liquidation of ministries the former ministers became either deputy committee chairmen or chairmen of the structural portions of the committees or headed the economic committees locally; most of the deputy ministers also moved to the peripheral areas. All this assured a considerable strengthening of the local economic cadres. At the same time the administrative apparatus decreased, including the enterprise administrative apparatus; the positions of deputy directors and deputy department foreman were eliminated at most of the enterprises. The curtailment was accompanied by the perfection of style and methods of work and by significant simplification of statistical and accounting work. The expansion in the rights of industrial and construction enterprises must also be mentioned; they were extended the right to control the unused commodities stored at warehouses at their own discretion, as well as the right to amend drafts, after coordination with whoever

drew up such drafts.

In discussing reorganization and the administration of national economy in a broad sense, it is necessary to dwell on the concrete reorganization of agricultural producers' cooperatives. During the autumn of 1958 the existing cooperatives were enlarged within the agricultural administrative regions, called "rhi". As a result of that, a large cooperative was organized in every "rhi". At the same time, along with the expansion of agricultural cooperatives, the consumer cooperative stores and the credit cooperatives were transferred under their direct jurisdiction. After the expansion, the duties of chairman of the people's committee of the "rhi" and those of the chairman of the cooperative, administration were unified. [See Note]

[Note] It must be noted that in those regions where the state farms territorially correspond with the "rhi", the position of the chairman of the people's committee of the "rhi" is occupied by the directors of the state farms.

In describing the significance of these measures Kim Il-seng, in his report at the congress of agricultural cooperatives of the KNDR of 5 January 1955, stated as follows: "The expansion of the agricultural cooperatives allows us to plan the fields, to implement modern agricultural machinery and advanced technology on a broader scale, to develop the many branches of agriculture by means of a much more rational utilization of the natural-economic conditions, to conduct a very extensive agricultural construction at a faster rate and more smoothly, without permitting extra expenditure of labor or materials. As a result of the unification of the duties of the chairman of the people's committee with those of the chairman of the cooperative administration, the local organs of power came closer to production and its role in the economic and cultural construction in the village became even greater." [See Note]

[Note] Novaya Koreya (New Korea), 1959, No. 99, Supplement No. 1, p. 14.

This reorganization in the agricultural cooperatives brought about a corresponding change in the functions of the rural people's committees, which came closer to the organization of the agricultural production, inasmuch as an entire link through which the rural people's committees directed agricultural producers' cooperatives was now eliminated. The rural people's committees at the present time are units which directly resolve the specific problems of economic and cultural life of the corresponding units, i.e. they carry out an organizational-executive function. [See Note]

[Note] In Korean literature this term is contrasted with the function of leadership of the lower level administrative organs (on behalf, for instance, of the provincial people's committees with regard to the rural and city people's committees).

As a conclusion for this brief review of the reorganiza-

tion of the administration of the national economy in the Democratic People's Republic of Korea, it is necessary to mention an interesting experiment which is being conducted for a period of almost two years in the Unggi rural areas (in the north Hamgyang province) and in Reweng (in the south Hwanghae province). Variegated, unified state farms, which include both industrial and agricultural enterprises, were created in these rural areas. Formerly most of the land in these rural areas was the property, not of the agricultural producers' cooperatives, but of the state. The peasants of the few agricultural producers' cooperatives on more than one occasion addressed the state organs with a request to transfer their land to the state and to have themselves reclassified as state workers. Chairman of the Cabinet of Ministers KNDR Kim Il-seng examined this request during the establishment of local administrations in March of 1959. On his initiative state farms, encompassing the entire territory of the rural areas, were established in the Unggi and Reweng rural areas. After that the rural area people's committees were dismissed and unified state farm committees were elected during sessions of the rural people's conferences, which combined the functions of state administrative organs and economic administrative organs. The state farms are subordinated to the corresponding provincial people's committees and to the Ministry of Agriculture.

In order to be able to better comprehend the dimensions of the state farms--rural areas and their economic organization and administration--let us cite various data on the unified state farm in the Unggi rural area. The overall area covered by the state farm is somewhat greater than 60 thousand hectares; cultivated land occupies only 5,000 hectares, the forests cover over 2,000 hectares, the remaining area is covered by flooded meadows, grazing land, water reservoirs and so on. Four industrial enterprises are situated on the state farm, including a ship repair wharf, which, along with the maintenance and repair of ships, builds new vessels. Fishing, fish breeding, horse breeding, animal husbandry, and poultry farming are all the main branches of the state farm. The unified state farm committee, elected at a session of the Rural Conference of People's Representatives in May of 1959, consists of 17 persons. Along with the directors of the state farm and directors of some of its sections; it also includes the representatives of social organizations. The principal advantages of the new economic organization are contained in the possibilities for a more rational organization of labor among the workers of the state farm (in particular during the various agricultural seasons of the year), as well as a better distribution of productive forces in accordance with the local conditions, a considerable decrease in the size of the administrative apparatus and a decrease in unproductive expenditures; these advantages were pointed out by the directors of the Unggi state farm. /See Note/

Note As a result of the reorganization in the economic administration of the rural area, the administrative apparatus decreased by 129 units.

All these factors promptly reflected on the organization of production, and on an improvement of the material well-being of the people. Let us cite several indices. The gross industrial production of the rural area, for example, increased 2.5 times in terms of cost during 1960 as compared to 1958; over the same period of time the number of ducks on the bird farms increased by over 17 times; the annual income per able bodied worker of the state farm increased, on the average, from 400 to 1,000 won (won--is a Korean monetary unit).

Therefore the experiment in the creation of a unified, variegated state farm in the Unghi area is being conducted with success. A similar situation exists at the Rhinen rural area. An acquaintance with the reorganization in the administration of the national economy in the KNDR testifies to the new contribution of the Korean people, directed by the Marxist-Leninist Labor Party, to the common treasure house of experience in state construction of the socialist countries.